



Gayatri

Bio Organics Limited

(Formerly Gayatri Starchkem Limited)

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18th Annual Report 2008 - 09

Gayatri BioOrganics Limited

BOARD OF DIRECTORS

| | |
|-------------------------------------|-----------------|
| Sri T. Sandeep Kumar Reddy | <i>Chairman</i> |
| Sri P. Maruthi Babu | <i>Director</i> |
| Sri T.G. Pandya | <i>Director</i> |
| Sri J. N. Karamchetti | <i>Director</i> |
| Sri Parth Dashrathlal Gandhi | <i>Director</i> |
| Sri Jayendra N. Shah | <i>Director</i> |
| Smt T. Sarita Reddy | <i>Director</i> |
| Sri. T. R. Rajagopalan | <i>Director</i> |

COMPANY SECRETARY

K.S.V.S. Sastry

AUDITORS:

M/s. BSR and Associates
Chartered Accountants
Reliance Humsafar
IV floor, Road No:11
Banjara Hills
Hyderabad - 500034

REGISTERED OFFICE& INVESTOR RELATION DEPT.,

6-3-1090/C/A/1, 1st floor
Lovely Mansion, Rajbhavan Road,
Somjiguda, Hyderabad - 500 082.
Ph: 66100111/66100222, Fax:66100333
E-mail: info@ gayatribioorganics.com

FACTORY:

NH-9, Nandikandi Village
Sadasivapet Mandal
Medak District
Andhra Pradesh - 502 306

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NOTICE

NOTICE is hereby given that the **18th Annual General Meeting** of the members of Gayatri BioOrganics Limited will be held at the "SURANA UDYOG AUDITORIUM", FAPCCI Building, Federation House, 11-6-841, Red Hills, Hyderabad-500004 on Wednesday, the 23rd Day of September, 2009 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the company as at 31.03.2009 and the Profit and Loss account for the year ended on that date and the Report of Directors' and the Auditors thereon.
2. To appoint a Director in place of Sri. T. Sandeep Kumar Reddy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri. Jayendra Natwarlal Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri. Parth Dasharathlal Gandhi who retires by rotation and being eligible, offers himself for re-appointment.--
5. To re-appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

To consider and, if thought fit, to pass with or without modification(s), following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. B S R and Associates, Chartered Accountants, Reliance Humsafar, IV floor, Road No:11, Banjara Hills, Hyderabad - 500034 be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and are hereby authorized to fix their remuneration."

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 30.07.2009

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books will remain closed from 18th September, 2009 to 23rd September 2009 (both days inclusive).
4. The Members are requested to intimate immediately any change in their address to the Company at the Registered Office or M/s Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad 500018.
5. Members desiring any information as regards the Accounts are requested to write to the Company not less than seven days before the date of the meeting to enable the Management to keep the information ready at the meeting.
6. Members / Proxies are requested to bring their Annual Report to the meeting and the attendance slip duly filed in for attending the meeting. Copies of Annual Reports will not be provided at the meetings.



18th Annual Report 2008-2009**DIRECTORS' REPORT**

To
The Members of
Gayatri BioOrganics Limited

Your Directors present the Eighteenth Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2009.

FINANCIAL RESULTS

| | (Rs. in lakhs) | |
|--|-----------------------|-------------------|
| | 31.03.2009 | 31.03.2008 |
| Income from Operation | 4,690.52 | 4,221.02 |
| Other Income | 91.30 | 56.47 |
| TOTAL | 4,781.82 | 4,277.49 |
| Total Expenditure | | |
| (Including prior period Adj.A/c) | 4,776.62 | 4,191.04 |
| Finance Charges | 52.07 | 9.85 |
| Gross Profit/(Loss) after finance charge | (46.87) | 76.60 |
| (But before depreciation and taxation) | | |
| Depreciation | (286.48) | (275.74) |
| Extra ordinary Items | — | 735.42 |
| Provision for Taxation | (1.80) | 1.59 |
| Net Profit / (Loss) | (335.15) | 534.69 |

PERFORMANCE DURING THE YEAR UNDER REVIEW**SORBITOL DIVISION**

You may be aware that the Sorbital plant was put in back into service and the Company produced 6726 MTs during the Financial Year ended 31st March, 2009 which is nearly 79 % of the installed capacity. The Management is also considering to enhance the capacity of the existing plant from 30 TPD to 60 TPD.

STARCH DEPARTMENT

Even though the performance of Starch plant is slightly lower when compared to previous year, there is still scope for improvement if the market conditions are more conducive and there is enough working capital. The Company crushed 32,936 MTs maize as against 34,218 MTs maize during the previous year. Because of the market conditions the cash profit is Rs. 3.40 lakhs against last year cash profit of Rs. 84.85 lakhs without considering financial charges. During the year the starch Drying Capacity is enhanced from 45 MT to 90 MT. The Management is considering to invest Rs.2 crores in strengthening the existing plant which enables the company to achieve the production of 100% Installed Capacity.

EXPORTS

The Company did not do any exports during the year since the prices in international markets continue to be unremunerative and the domestic price of sorbitol is remunerative.

OUTLOOK FOR THE FINANCIAL YEAR 2009-10

It is gratifying to say that the products of this Company are well accepted in the market and are being patronized by the major clients. The Company is hopeful of achieving 100% of the installed capacity.

The Hon'ble BIFR approved the rehabilitation package filed with it and passed the final order with regard to Rehabilitation package which has included various grants, reliefs and concessions with various departments of both Central and State Government. And the Company is approaching different government authorities to seek the grants, reliefs and concessions as directed by Hon'ble BIFR in the Rehabilitation Package.

The Management proposes to enhance the capacity of Maize crushing plant, Sorbitol plant and add facilities for distillery as a part of revival plan. The Management is also considering to enhance the capacity of the existing Sorbitol plant from 30 TPD to 60 TPD and to enhance the capacity of the existing Starch plant from 150 TPD to 350 TPD. And the Management proposes to set up a 50KL per day capacity distillery plant for manufacture of ENA from maize starch.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure and Developments.

Sorbitol and Starch industries in India are very much fragmented and scattered through out India. In case of Sorbitol at present only four major players are there in South India. When it comes to Starch, nearly 50% of Indian Starch production comes from Gujarat where four major Starch Factories are located.

The growth in demand for Sorbitol is fluctuating. Presently the prices are encouraging. When it comes to Starch, since 60% of starch goes for food based industry, the demand is not even throughout the year. Further the industry is also suffering from excess capacity and can be compensated only when the demand picks up continuously.

b. Opportunities and threats.

The company does not see any opportunities but has been facing the threat of import of Sorbitol.

c. Out look

The outlook for the company's products is reasonably good but the management feels that the company can achieve better results only if it can reach its full capacities which is possible only when the company is provided with sufficient working capital.

d. Risks and Concerns.

Sorbitol and Starch being agro based industries there is no risk of product obsolescence or steep fall in demand by way of product substitution. Therefore your directors do not foresee any major risks and concerns, except as discussed else where in this report, in the near future.

e. Internal Control Systems and their adequacy:

The company has developed adequate internal control and reporting systems and is well placed.

f. Financial / Operational performance:

This has already been discussed in this report.

g. Human Resources / Industrial Relations :

The company employs about 250 people both in Sorbitol and Starch divisions including Head Office. The Company enjoys very cordial relations with the staff, workers and with workers union. The industrial relations continued to be cordial during the year under review.

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CAUTIONARY STATEMENT:

Statements in this "Management Discussion & Analysis" may be considered to be "forward looking statements" only. Actual results could differ materially from those expressed or implied within the meaning of applicable securities laws or regulations.

LISTING OF SECURITIES

(a) The Company's Shares are listed with **Bombay Stock Exchange Limited**, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023.

(b) The Company paid Listing fees for the year 2009-10 to Bombay Stock Exchange Limited.

Members are hereby informed that the BSE revoked the suspension in trading of equity shares and the Company's shares are trading in the BSE.

DIRECTORS

Sri T. Sandeep Kumar Reddy who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

Sri Jayendra Natwarlal Shah who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

Sri Parth Dasharathlal Gandhi who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

APPOINTMENT OF AUDITORS

The Members are requested to consider the re-appointment of M/s. B S R and Associates, Chartered Accountants as Statutory Auditors from this Annual General Meeting to the conclusion of the next Annual General Meeting. The Board recommends their re-appointment.

COST AUDITORS

The Board of directors re-appointed Mr. S.P. SARMA Cost Accountant, Plot No. 83, Hasthinapuram (south) Hyderabad- 500 079, A. P. as cost auditors for the financial year 2009-10.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended time to time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Section 217 (1) (e) of the Companies Act 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgo is appended hereto and forms part of this report as Annexure - A.

AUDITORS REPORT

With regard to Point 14 of Annexure to Auditors' Report pertaining to Internal Audit System, the Company has appointed Internal Auditors for the Financial year 2009-2010.

With regard to Point 16 pertaining to default of deposit of amounts to Provident Fund, Employees State Insurance, Income Tax, Sales Tax and Professional Tax within the stipulated time is due to lack of funds. However, there were no outstanding dues to above Authorities as on date. With regard to undisputed dues to Sales Tax and Service tax is due to working capital constraints. The Company will pay the dues once the funds are available.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance along with Company Secretary Certificate on its compliance, certificate of the Chairman regarding adoption of Code of Conduct and Certificate by the Chairman and Vice President (Operations) in respect of financial reporting is given in the Annexure – B, Annexure- C, Annexure-D and Annexure – E respectively which forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

According to Section 217 (2AA) of the Companies Act, 1956 your directors state:

- (i) that in the preparation of Annual Accounts for the year ended 31st March, 2009, the applicable accounting standards have been followed along with the proper explanation relating to material departures:
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2009 and of the profit and loss of the company for that period:
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:
- (iv) that the directors have prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS:

The Company has not accepted any deposits as per Section 58A of the Companies Act, 1956 during the year under review.

ACKNOWLEDGEMENTS:

Your Directors would like to place on record their sincere appreciation and gratitude to all Financial Institutions, Company's Bankers, Shareholders, Government Agencies, Suppliers, Customers and all the Employees of the Company for their Co-operation and support during the year.

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy

Chairman

Place: Hyderabad

Date: 30.07.2009

18th Annual Report 2008-2009**ANNEXURE - 'A' TO DIRECTORS REPORT**

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo as required under the **Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988** and forming part of the report of Board of Directors for the year ended 31st March 2009

FORM - "A"**PARTICULARS UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998.****A. POWER AND FUEL CONSUMPTION**

| Sl.No. | POWER AND FUEL CONSUMPTION | Current Year 2008-09 | Previous Year 2007-08 |
|--------|------------------------------------|-------------------------|--------------------------|
| 1. | Electricity | | |
| a) | Purchased Unit(Kwh) | 84,04,250 | 82,86,600 |
| | Total Cost (Rs. In lakhs) | 278.83 | 273.65 |
| | Rate/Unit Rs. | 3.32 | 3.30 |
| b) | Own Generation | | |
| i. | Through Diesel Generator: | | |
| | Unit(Kwh) | 9,032 | 8,228 |
| | Units per Ltr. of Diesel Oil (KWH) | 3.28 | 1.95 |
| | Cost/Unit (Rs/KWH) | 11.67 | 17.41 |
| 2. | HUSK | | |
| | Quantity (MTs) | 11,415.60 | 12,769.22 |
| | Total cost (in Rs.in Lakhs) | 263.15 | 222.16 |
| | Average cost per Ltr (Rs) | 2.31 | 1.74 |
| 3. | DIESEL OIL | | |
| | Quantity (K.ltrs) | 2.75 | 6.00 |
| | Total amount (Rs. In Lakhs) | 1.05 | 2.04 |
| | Average cost per Ltr (Rs) | 38.32 | 34.02 |

FORM - "B"**PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

| | | |
|----|--|-----|
| A. | RESEARCH AND DEVELOPMENT (R&D) | NIL |
| B. | TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION | NIL |
| C. | FOREIGN EXCHANGE EARNINGS AND OUTGO: | |
| 1. | FOREIGN EXCHANGE EARNINGS (FOB) | NIL |
| 2. | FOREIGN EXCHANGE OUTGO (CIF) | NIL |

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 30.07.2009

ANNEXURE - 'B' TO DIRECTORS REPORT**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008-09**

(As per Clause 49 of the listing Agreement entered into with the Stock Exchanges)

1. Corporate Governance Philosophy

The Company is a firm believer in core values of Corporate Governance Code. The Company fully understands the rights of its shareholders to have intimation on the performance of the Company and considers itself a trusty of its shareholders. The Company is committed to good corporate governance, adherence to Statutory and regulatory prescriptions, care for environment and social responsibility.

The Company has adopted a Code of Conduct for members of the Board and Senior Management, who have affirmed in writing their adherence to the Code.

2. Board of Directors**(a) Composition:**

The Board of Directors consists of Eight directors as follows:

Board of Directors

Sri T. Sandeep Kumar Reddy
Sri P. Maruthi.Babu
Sri T.G.Pandya
Sri J. N. Karamchetti
Sri. Parth D. Gandhi
Sri. Jayendra N. Shah
Smt. T. Sarita Reddy
Sri. T.R. Rajagopalan

Chairman & Promoter Director
Non Executive & Independent Director
Non Executive & Independent Director
Non Executive & Independent Director
Non Executive & Nominee Director
Non Executive & Nominee Director
Non Executive & Promoter Director
Non Executive & Independent Director

The following table shows the composition of directors and their attendance at the board meetings held on the dates below mentioned and the last Annual General Meeting was held on 24th September 2008

| Name | Category | Board Meetings Attended | Attendance at the last AGM | No. of Director-ships held in other Companies | |
|-----------------------------|---------------------------------------|-------------------------|----------------------------|---|---------|
| | | | | Public | Private |
| Sri. T. Sandeep Kumar Reddy | Promoter-Chairman | 4 | Yes | 10. | 25 |
| Sri T.G.Pandya | Non -Executive & Independent Director | 4 | Yes | NIL | NIL |
| Sri. P. Maruthi Babu | Non-Executive & Independent Director | 4 | Yes | 4 | 6 |
| Sri. J.N. Karamchetti | Non-Executive & Independent Director | 2 | Yes | NIL | NIL |
| Sri. Parth D. Gandhi | Non Executive & Independent Director | 3 | No | 2 | 3 |
| Sri. Jayendra N. Shah | Non Executive & Independent Director | 2 | No | 2 | 4 |
| Smt. T. Sarita Reddy | Non Executive & Promoter Director | NIL | No | 5 | 17 |
| Sri. T.R. Rajagopalan | Non Executive & Independent Director | 2 | No | 2 | 2 |